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cc MASTER 551



10 DOWNING STREET

From the Private Secretary

18 January 1984

Dear Sir,

IDA 7

The Prime Minister held a meeting today with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry to consider whether the United Kingdom should contribute to a supplementary fund for IDA 7.

The Foreign and Commonwealth Secretary explained that he was not seeking additional money. If IDA 7 were limited to \$9 billion, we should have, within the previously agreed total, some £20 million which could be used either for bilateral aid or for a contribution to a supplementary fund. A sum of this order would not have a very big impact on the bilateral aid programme. It was worth recalling that, at a time when we were reducing both our bilateral aid programme and our share of IDA, we had been able to obtain disproportionate credit for decisions to increase our contributions to the Commonwealth Fund for Technical Co-operation and to IDA 6. It was worth considering attempting to obtain the same credit for contributing to a supplementary fund for IDA 7. In his judgement, we would obtain more credit for such a course than for increasing our bilateral aid programme by £20 million. It now seemed that Japan and the Federal Republic of Germany were considering more favourably the idea of contributing to a supplementary fund.

The Chancellor of the Exchequer said that he was inclined to agree with the Foreign and Commonwealth Secretary. There was no question of an increase in overall aid. But it was wrong to think of the present issue in terms of the advantages of bilateral against multilateral aid. Our major problem in the multilateral field was our expenditure under the Lome Convention. In the case of IDA, some 70% of our contribution returned to this country in orders. A similar figure applied to our bilateral aid programme. So perhaps the political advantages of a further gesture in respect of IDA were decisive.

The Secretary of State for Trade and Industry said that his own preference was for bilateral aid which could be better deployed in support of our trading interests. It was difficult to determine whether the balance of advantage lay between that consideration and the political credit which could be obtained from contributing to a supplementary fund.

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In further discussion, it was agreed that the balance of advantage lay in making clear our readiness to contribute to a supplementary fund. We should therefore state at the appropriate time that we were ready to contribute to a supplementary fund of up to \$2 billion on the basis of equitable burden sharing. It would not be necessary to specify that our participation was conditional on France, the Federal Republic of Germany and Japan doing likewise - since if they did not contribute, there would be no supplementary fund. It would be important to take political credit for this decision by letting Third World leaders and others concerned know of it at the right time. The Foreign and Commonwealth Secretary undertook to consider how this could best be done.

I am copying this letter to John Kerr (HM Treasury) and Callum McCarthy (Department of Trade and Industry).

*from over
John Colman.*

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.